

Getting to Know the Stock Markets

New York Stock Exchange (NYSE)

The oldest of the three major stock markets, the NYSE was founded in 1792 when 24 brokers agreed to form the Exchange. About 2,800 public companies are listed on the NYSE, and these companies have a combined value of more than \$15 trillion. Generally, small corporations' stocks are not listed on the NYSE. In order to be listed on the NYSE, a company must have outstanding share value (the value of all shares of stock not owned by the company itself) of at least \$100,000,000 and must trade at a volume of at least 100,000 shares per day. The stock symbols (ticker symbols) of stocks trading on the NYSE may have one, two, or three letters; the NYSE is the only exchange with symbols of one or two letters. For example, Kellogg (K), General Electric (GE), and American Eagle Outfitters (AEO) are all listed on the NYSE.

The NYSE is home to several important stock indexes. A stock index is a composite of the value of a large number of stocks used to measure the ups and downs of the overall market. The most famous stock index is the Dow Jones Industrial Average (DJIA), or "the Dow," which consists of 30 of the biggest companies in the United States including firms such as Walt Disney, ExxonMobil and Wal-Mart. Today, the Dow is the most widely followed measurement of the stock market. A second important index of stocks listed on the NYSE is the Standard and Poor's (S & P) 500. This index uses the stock prices of 500 companies listed on the NYSE including Boeing and 3M.

All stock trades at the NYSE take place in a single location on the NYSE's trading floor in New York City. Members of the NYSE - 1,366 brokers and specialists - carry out all trades. Members are said to have a "seat" on the NYSE, although they never actually sit down, and such seats routinely sell for \$2 million. Investors purchase stocks by placing orders with brokers from around the United States and the world. These brokers then place floor orders at the NYSE, and those orders are filled by one of the 1,366 members.

What are the FIVE main points that you could use to summarize the NYSE?

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2.

3.

4.

5.

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American Stock Exchange (AMEX)

The precursor to the AMEX was founded during the Civil War when brokers would gather outside the NYSE trading floor (literally on the curb) to trade stocks that did not qualify to be listed on the NYSE. In fact, even when it moved inside in 1921, this precursor was known as the New York Curb Exchange and did not take the name American Stock Exchange until the 1940s.

Generally speaking, companies with shares traded on the AMEX are smaller than those listed on the New York Stock Exchange, although this is not always the case. Many of the companies listed on the AMEX are not household names (in fact, you may not recognize many of the companies listed on AMEX). The stock symbols (ticker symbols) of stocks trading on the AMEX are always three letters in length. Note that the NYSE may have symbols with one, two or three letters (so sometimes it's easy to mix up symbols of AMEX and NYSE ... just remember that you've probably heard of NYSE companies but not ones listed on AMEX). For example, Birks & Mayors Inc. has a symbol of BMJ (and I'm betting you've never heard of them, right?).

Membership in the AMEX is limited to 807 regular members who conduct trades much like those on the NYSE. The AMEX is smaller than the NYSE, listing about 800 companies. Listing requirements vary, but companies must have between 500,000 and one million shares of outstanding stock, with average shares traded per day exceeding 1,000.

What are the FIVE main points that you could use to summarize the AMEX?

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- 2.
- 3.
- 4.
- 5.

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NASDAQ Stock Market

The NASDAQ Stock Market began trading in 1971, and in 1999 it surpassed the NYSE as the largest stock market (in volume of stock trades) in the United States. The NASDAQ Stock Market is unique because it does not reside in one physical location. Rather, trades are executed through the NASDAQ's sophisticated computer and telecommunication network. As the world's first electronic stock market, it is made up of the NASDAQ National Market and the NASDAQ Small Cap Market. The NASDAQ allows multiple market participants to trade through its electronic communication networks structure, thus increasing competition.

The NASDAQ Stock Market currently lists the stocks of more than 3,700 companies, with a combined value of \$2.9 trillion dollars. The NASDAQ is widely known as the home of many of the largest technology-based companies, particularly computer software companies and other Internet businesses. The stock symbols (ticker symbols) of stocks trading on NASDAQ are always four letters in length, unlike stocks traded on AMEX (three letters) or NYSE (one, two, or three letters). For example, Microsoft's symbol is MSFT.

More shares of stock are traded on the NASDAQ than on any other stock market, in part because membership in the NASDAQ is not limited to a fixed number of seats. Any firm or individual that meets certain requirements can join the NASDAQ. This policy allows more than 300 "market makers" (known as dealers to their customers) to operate like retail store owners, buying inventories of stock shares to sell to their customers.

What are the FIVE main points that you could use to summarize the NASDAQ?

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